

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EB-11 COME-00 OMB-01 TRSE-00 SAJ-01

NIC-01 SSO-00 INRE-00 NSCE-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 DRC-01 IO-14 ACDA-19 SCI-06

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C O N F I D E N T I A L BUDAPEST 3997

E.O. 11652: GDS

TAGS: HU, US, ECON, PFOR, PINT, ENRG

SUBJECT: QUARTERLY REPORT OF MAJOR POLITICAL AND ECONOMIC TRANDS

REF: BUDAPEST 3996 SECTION 3 OF 4

1. FOREIGN POLICY - HUNGARY HAS ACQUIRED ITS FREEDOM TO PURSUE ECONOMIC AND SOCIAL REFORM AT EXPENSE OF MAINTAINING FIRM ADHERENCE TO SOVIET FOREIGN POLICY. THIS WAS OBVIOUSLY A CALCULATED POLICY DECISION AND ITS RESULTS IN FOREIGN POLICY ARE IMMEDIATELY APPARENT. DEPENDENT UPON USSR FOR MOST OF ITS OIL AND ENERGY SUPPLIES AND FOR BULK OF ITS RAW MATERIALS, AS WELL AS BEING UNDER EFFECTIVE MILITARY CONTROL OF 50,000 SOVIET TROOPS, IN THE AFTERMATH OF 1956 HUNGARY COULD NOT VIABLY EXERCISE INDEPENDENCE BOTH IN INTERNAL AND EXTERNAL POLICY. IN CONTRAST TO ROMANIA IT CHOSE TO DEVELOP IN INTERNAL POLICY. THERE IS NO INDICATION THAT ANY CHANGE IN THIS POLICY CAN BE EXPECTED. ON THE CONTRARY APPOINTMENT OF IDEOLOGICALLY-MINDED HARDLINER FRIGGES PUJA AS FONMIN STRESSES THAT ORTHODOXY OF HUNGARIA FOREIGN POLICY WILL CARRY FORWARD. WE DO NOT
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ANTICIPATE ANY WORSENING OF HUNGARIAN FOREIGN POLICY

VIS-A-VIS WEST AS A RESULT OF HIS APPOINTMENT BUT THERE WILL BE DIFFERENCES IN STYLE AS PETER, WITH ALL HIS FAULTS, WAS MORE CAPABLE OF SUBTLETIES AND MORE FLEXIBLE IN APPROACH THAN PUJA IS LIKELY TO BE. WE CAN CONTINUE TO EXPECT, THEREFORE, TO HAVE DIFFICULTIES WITH HUNGARIAN FOREIGN POLICY IN THE UN, AT CSCE, IN ME, OVER GREECE, CHILE AND OTHER SUCH ISSUES, AND IN GENERAL WHENEVER WE HAVE DIFFICULTIES WITH SOVIET POLICY.

A. VIETNAM- HUNGARY'S LACK OF IMPARTIALITY ON ICCS CONTINUES TO BE MOST SERIOUS IRRITANT IN HUNGARY'S RELATIONS WITH US. HUNGARIAN GOVERNMENT PROJECTS THE VIEW THAT WE SHOULD NOT ALLOW SUCH MULTILATERAL MATTERS TO AFFECT OUR BILATERAL RELATIONS. I HAVE TOLD THEM EXPLICITLY THAT THEIR BEHAVIOR IN VIETNAM CANNOT FAIL TO AFFECT OUR RELATIONS. IN SPITE OF MANY EFFORTS ON OUR PART OVER PAST FEW MONTHS WE HAVE NOT SEEN ANY MODIFICATION OF HUNGARIAN ATTITUDE, OR ITS EXPRESSION OF IT, IN VIETNAM. BASIC QUESTION IS WHETHER HUNGARY HAS SUFFICIENT LEEWAY IN ITS RELATIONS WITH USSR TO ACT ANY DIFFERENTLY THAN IT DOES AND THEREFORE WHETHER WE CAN EXPECT ANY CHANGE IN THEIR ACTIONS. OUR ASSESSMENT IS A DOUBLE ONE. FIRST, IN ITS BASIC POLICIES IN VIETNAM HUNGARY IS DOING WITH USSR WANTS IT TO DO. SECOND, HOWEVER, HUNGARY DOES SO WITH A LACK OF FINESSE RESULTING FROM ITS LACK OF EXPERIENCE OR WITH A VOLUNTARISM TO DEMONSTRATE HOW WELL IT IS CARRYING OUT ITS RESPONSIBILITIES. IN EITHER CASE THEY SEEM TO US TO BE CREATING SOMEWHAT MORE DIFFICULTIES FOR US OVER VIETNAM THAN IS POLAND. WE SEE NO SIGNS YET THAT WOULD LEAD US TO EXPECT A CHANGE IN THIS SITUATION. GOH IS, NEVERTHELESS, SENSITIVE TO BEING COMPARED UNFAVORABLY TO POLAND, AND IT WILL BE ONE OF EMBASSY'S PRIME OBJECTIVES OVER NEXT FEW MONTHS TO BRING ABOUT A LESS DIFFICULT HUNGARIAN POSTURE IN VIETNAM. HUNGARIAN POLICY IN VIETNAM, AT THE SAME TIME, WE ASSESS TO BE COMMITTED TO ACHIEVING A PEACEFUL SOLUTION AND DETERING RECOURSE TO MILITARY SETTLEMENT. FACT THAT PRESIDENT LOSONCZI MADE THIS POINT IN A SPEECH, WHILE A PRG DELEGATION WAS IN HUNGARY RECENTLY MAKES US THINK THEY THEY APPLY THIS VIEW TO PRG AND HANOI AS WELL AS TO

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B. DETENTE-HUNGARY IS ACTIVELY IN FAVOR OF DETENTE, PUBLICLY APPLAUDS ITS SUCCESSES, AND PROPAGATES THEM IN ITS PRESS MEDIA. IN PRIVATE HUNGARIAN LEADERS POINT OUT THAT THE US-SOVIET DETENTE IS ESSENTIAL TO THEIR OWN PURSUIT OF BETTER RELATIONS WITH US, AND THAT IT GIVES THEM GREATER FREEDOM OF ACTION. TO EXTENT THAT THEY MAY

SEEK TO INFLUENCE SOVIET POLICIES THEY CAN BE
EXPECTED TO INFLUENCE THEM IN DIRECTION OF DETENTE AND
AGAINST ANY REVERSAL OF PRESENT COURSE. DURING PAST FEW
WEEKS THEY HAVE REGISTERED THEIR CONCERN THAT A SETBACK
TO DETENTE WOULD STRENGTHEN HAND OF LESS TRACTABLE
ELEMENTS IN USSR AND FROM TIME TO TIME REMIND US THAT
THERE ARE FAR WORSE ELEMENTS IN MOSCOW THAN BREZHNEV.
HUNGARY WILL BE CAREFUL, HOWEVER, NOT TO GET TOO FAR OUT
IN FRONT OF SOVIETS IN DETENTE POLICY. PRESS IN RECENT
MONTHS ALONG WITH ENDORSEMENT FOR INCREASED COOPERATION
WITH WEST HAS ECHOED SOVIET CALLS FOR VIGILANCE, AND
KADAR HIMSELF PUBLICLY SUPPORTED SOVIETS AGAINST WESTERN
"INTERFERENCE" IN DOMESTIC MATTERS.
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